MBS Recap: Compared to Oil, Yields Not Quite as Willing to Drop

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Compared to Oil, Yields Not Quite as Willing to Drop

MBS Recap Matthew Graham | 4:15 PM

While the moment-to-moment correlation between bond yields and oil prices remained almost perfectly intact today, yields were less willing to follow the bigger drops. In other words, if we benchmark bonds to oil price movement, they underperformed the drop in oil prices. $139 billion in Treasury auctions and defensive positioning ahead of Wednesday's Fed announcement likely both contributed to that underperformance. Bottom line: it's encouraging to see the willingness to follow oil, but we won't be able to see more unrestrained trading until after Wednesday afternoon.

Watch the Video

MBS Morning

8:51 AM Less Bombing. More Rallying

2:54 PM

Econon Data / Events

- Core CapEx (Jun)
    - 0.9% vs 0.8% f'cast, 1.6% prev
- Durable goods (Jun)
    - 0.3% vs 2.5% f'cast, -4.5% prev

Market Movement Recap

08:32 AM Stronger overnight with oil. MBS up 6 ticks (.19) and 10yr down 3.6bps at 4.646

10:28 AM Some volatility on war headlines, but still stronger. MBS up 5 ticks (.16) and 10yr down 2.9bps at 4.654

02:33 PM Fairly flat all day. MBS up 5 ticks (.16) and 10yr down 3.8bps at 4.645

Lock / Float Considerations

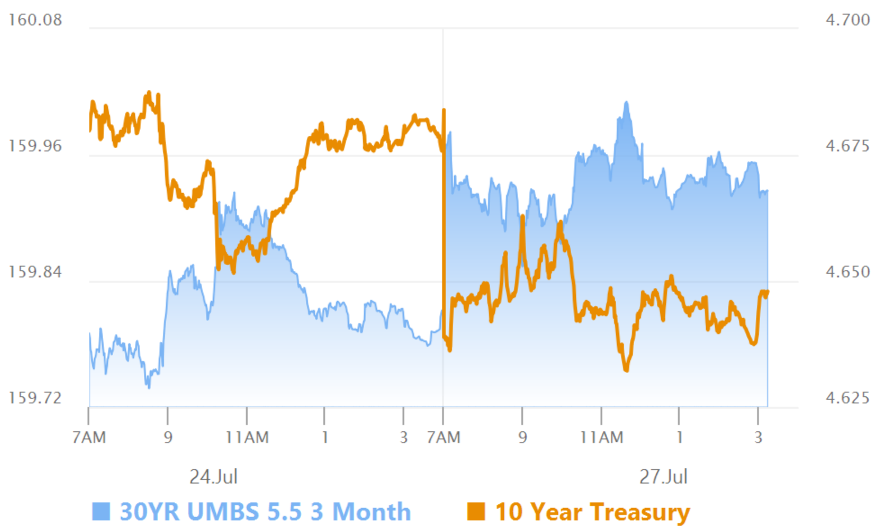
- 7/27/26 - Oil prices dropped sharply and bonds mostly followed, which is as we would have hoped. But the shape of the curve and the nature of today's response to oil suggests bonds are also still nervous about the Fed meeting and, to a lesser extent, the Treasury auction cycle. Wednesday afternoon remains a focal point for this week's volatility. Bonds will feel more free to make their next move after that.

Technicals/Trends in 10yr (why 10yr)

- Ceiling/Support (can be used as "lock triggers")
  - 4.80
  - 4.71

- Floor/Resistance
  - 4.42
  - 4.54
  - 4.62

MBS & Treasury Markets



MBS	
30YR UMBS 5.5	+
30YR UMBS 6.0	+
30YR GNMA 5.5	+
15YR UMBS-15 5.0	+

US Treasuries		
10 YR	4.648%	-0.035%
2 YR	4.319%	-0.023%
30 YR	5.133%	-0.027%
5 YR	4.403%	-0.030%

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